



Public Service Commission of Wisconsin

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PSC Approves Modest Rate Hike for WP&L

MADISON - Today, the Public Service Commission (PSC) reviewed Wisconsin Power and Light Company's (WP&L) request for an increase in electric and gas rates.

In a verbal decision the Commission significantly scaled back the utility's rate increase request. The Commission set electric rates to increase by an estimated \$16.5 million or 2 percent overall, lower than the \$48 million, or 5.6 percent increase requested by WP&L. In addition, the Commission approved an estimated \$2 million or 0.7 percent increase in gas, while the utility requested \$4.9 million or 1.6 percent more.

Two earlier Commission decisions, the sale of the Kewaunee Nuclear Power Plant and the lease arrangements with Sheboygan Power LLC, had major impacts on the rate case.

As part of the rate case, the Commission required WP&L to return the decommissioning funds from the sale of the Kewaunee Nuclear Power Plant to ratepayers over the next two years. Earlier this year, the Commission allowed WP&L and Wisconsin Public Service Corporation to sell the Kewaunee Nuclear Power Plant.

A condition of the sale included an agreement to return one of the decommissioning funds, originally set aside for the closing of the plant, to ratepayers. WP&L's share of the decommissioning fund is approximately \$56 million and it will be returned to ratepayers over the next two years.

The Commission also allowed approximately \$13 million to be collected in rates for WP&L to lease and operate the new natural gas-fired power plant at Sheboygan Falls. In May, the Commission determined WP&L would need additional generation to meet customer demands this summer and allowed WP&L to lease the Sheboygan Falls power plant.

In a rate case, the PSC performs an extensive audit of the utility's operating expenses to determine the revenue necessary in providing reliable service to Wisconsin consumers for the next year. The Commission also determines the rate of return for investors in balancing the investment needs of the utility, while minimizing the impact on ratepayers. Today, the Commission set the rate of return at 11.5 percent, down from 12 percent.

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WP&L filed its application for a rate increase last September. A public hearing was held on April 22nd in Madison, Janesville and Fond du Lac regarding WP&L's request. The testimony provided at the hearing became part of the record developed for the Commission to review as it considered all the aspects of the application. In April, the Commission approved WP&L's request for an interim fuel increase of \$26.4 million or 3%.

The Commission will issue a written order to finalize the rates approved in today's decision. The new rates become effective after the written order is issued.

The documents associated with WP&L's application can be viewed on our Electronic Regulatory Filing System at <http://psc.wi.gov/>. Just type the case number, 6680-UR-114, in the boxes provided on the PSC homepage or click on Electronic Regulatory Filing System button, also on the home page.

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